Annual Report 2002/2003

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PENSION CORPORATION

BRITISH COLUMBIA

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PENSION CORPORATION

Annual Report 2002/2003

Vision

Pension services professionally provided

Mission

Acting on behalf of
the trustees of public sector pension plans,
we serve plan members by:

- managing members' accounts
- calculating and paying member benefits
- providing information to members and employers
- supporting trustees with administration and policy advice

We do so in a way that is:

- responsive
- accurate
- efficient

Values

- Integrity
- Service
- Respect
- Teamwork

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PENSION CORPORATION

BRITISH COLUMBIA

Annual Report 2002/2003

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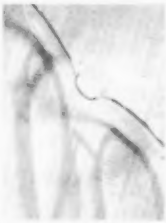

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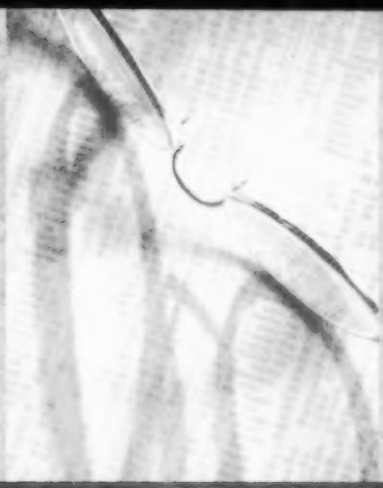


Overview

Mandate

The British Columbia Pension Corporation was established on April 1, 2000 under the *Public Sector Pension Plans Act*. The corporation is one of the largest pension benefit administrators in Canada, providing services to six pension plans with over 300,000 active and retired members and about 800 employers.

An eight-member board of directors governs the corporation. The trustees of the College, Municipal, Public Service and Teachers' pension plans appoint board members. The board selects its own Chair, and appoints the Chief Executive Officer of the corporation.

The corporation acts as the pension benefit administrative agent for the boards of trustees of the four major pension plans and may provide services to other BC public sector pension plans.

Services provided include:

enrolling employers,

collecting and recording contributions and other information from employers and plan members,

providing information about pension plan rules and benefits to employers and plan members,

calculating pension benefits, including purchase of service and transfers with other pension plans,

paying pension benefits and other related benefits to members, and

preparing audited financial statements and annual reports for each plan served.

The corporation is located in the Selkirk Development at 2995 Jutland Road in Victoria, BC. As of March 31, 2003 the corporation had approximately 400 staff members. The corporation and its employees are covered by the *Public Service Act* and the *Public Service Labour Relations Act*.

Chair's Message

John Wilson
Chair

IT IS MY PRIVILEGE TO PRESENT the third annual report of the British Columbia Pension Corporation on behalf of the Pension Corporation Board of Directors. The board has had a very busy year focused in four main areas:

- hiring a new Chief Executive Officer (CEO),
- establishing the strategic directions for the future,
- supporting and monitoring current operations, and
- developing better governance communications with Pension Trustee Boards.

Chief Executive Officer

This was John Mochrie's last year as our CEO prior to his retirement in April 2003. The board has been very fortunate to have a person of John Mochrie's character and skills to lead us during this important transition period.

After a nationwide search the board was successful in having Gail Stephens, the former Chief Administrative Officer of the City of Winnipeg, accept our invitation to be our new CEO. Gail has the skills and experience necessary to support our future.

Strategic Directions

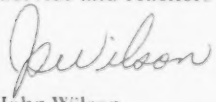
The board has committed the Pension Corporation to being one of the best pension administrators in Canada. We expect to accomplish this by being a service-quality oriented organization that uses a mixture of personal contact and the latest technology. The services we offer are centered on pension plan members (active and retired), employers and the trustees of pension plans. We see a future where these stakeholders will be able to choose the service delivery method most appropriate to them.

Current Operations

At the end of our second foundation-building year we are on target. We continue to receive high marks in surveys from members served while productivity is improving. The details are included throughout this annual report.

Governance Communications

Last year the board developed, with the Pension Trustee Boards, an integrated planning cycle. This was the first full year that the board and trustees have had to experience the process, which was very useful in establishing and validating our strategic direction. We learned that more frequent and direct communication by the members of the board to their appointing trustee boards is required and we will be doing this in the future. The trustee boards represent the College, Municipal, Public Service and Teachers' pension plans. We thank them for their continued support.



John Wilson
Pension Management Board
March 31, 2003

Board Members *as at March 31, 2003*

John Wilson
Chair

Bruce Clow
Vice Chair

Wayne Jefferson

Cliff Neufeld

Steven Polak

Richard Taylor

Bruce Watson

Diane Wood

Chief Executive Officer's Message

John Mochrie
Chief Executive Officer

THIS YEAR MARKED THE COMPLETION of the second year of the Pension Corporation's foundation-building period, a period designed to position it to become an industry leader in pension administration. Our focus continued on our foundation goals of developing a well-trained, service-oriented staff, improving the efficiency of our data management and enhancing our capability to provide web-based products.

In our surveys of plan members we continue to receive high marks for the courtesy and helpfulness of our front-line staff. We have developed and begun to implement training programs on general pension knowledge and specific business processes for our service representatives. The investment made in employer training and improved processes in the transmission and handling of member service information has produced significant results. We have reduced by 32% the amount of staff time involved in correcting member information, and have improved the efficiency and timeliness of providing income tax information to employers. The Employer Council is proving to be a valuable forum to identify problems and solutions of mutual interest to the corporation and our employer partners in improving the quality of our service to plan members.

We have worked closely with the pension boards' Interplan Communication Committee to develop a new website that offers not only improved navigation ability but also the potential for more web-based products and services. We also worked with this interplan committee to design a new annual Member's Benefit Statement that will help plan members better understand the value of their pension benefit.

In our three-year service delivery plan we now define our concept of service beyond our foundation-building period. Our key objectives for this period are to become an organization that models best practices and is seen as an employer of choice. We will maximize ease of access and quick response, and provide information and tools for plan members in a range of media to help them in their retirement planning. We expect within this three-year period to have response times comparable or better than other public sector pension plans.

The number of service requests continues to increase; this year the number of key transaction requests increased from 46,058 to 53,814, a rise of 17%. Our production, however, during the same period increased from 44,273 to 71,427, or 61%. Our efforts were focused on the elimination of the backlogs in our key service areas. We met our service targets for pension estimates and for new purchase of service requests. We failed to meet our targets for the processing of termination benefits because most of these cases were in our backlogged inventory. I am pleased to say that we are entering the new year free of backlogged cases and are meeting our performance standards.

Our ability to respond to this increasing demand reflects the high degree of commitment on the part of our employees. As in every service organization, our employees are the key to our success. I am proud of our employees' response to the challenges they faced this year and am confident that they can deliver what is needed to meet the corporation's goals and objectives.

This is my last year with the Pension Corporation and I look forward to my retirement after a long and very satisfying career in public service. I welcome my successor, Gail Stephens, who comes to the corporation with a solid record of accomplishments in service excellence. She will provide the leadership that will enable the corporation to reach its potential.

I would like to thank the employees of the corporation for their dedicated service and their kindness to me; no one could ask to work with a better group of people. I would also like to thank my executive colleagues and the members of our board of directors for their encouragement, understanding and support. I feel I leave the corporation in excellent hands.

John Mochrie
Chief Executive Officer
March 31, 2003

Executive

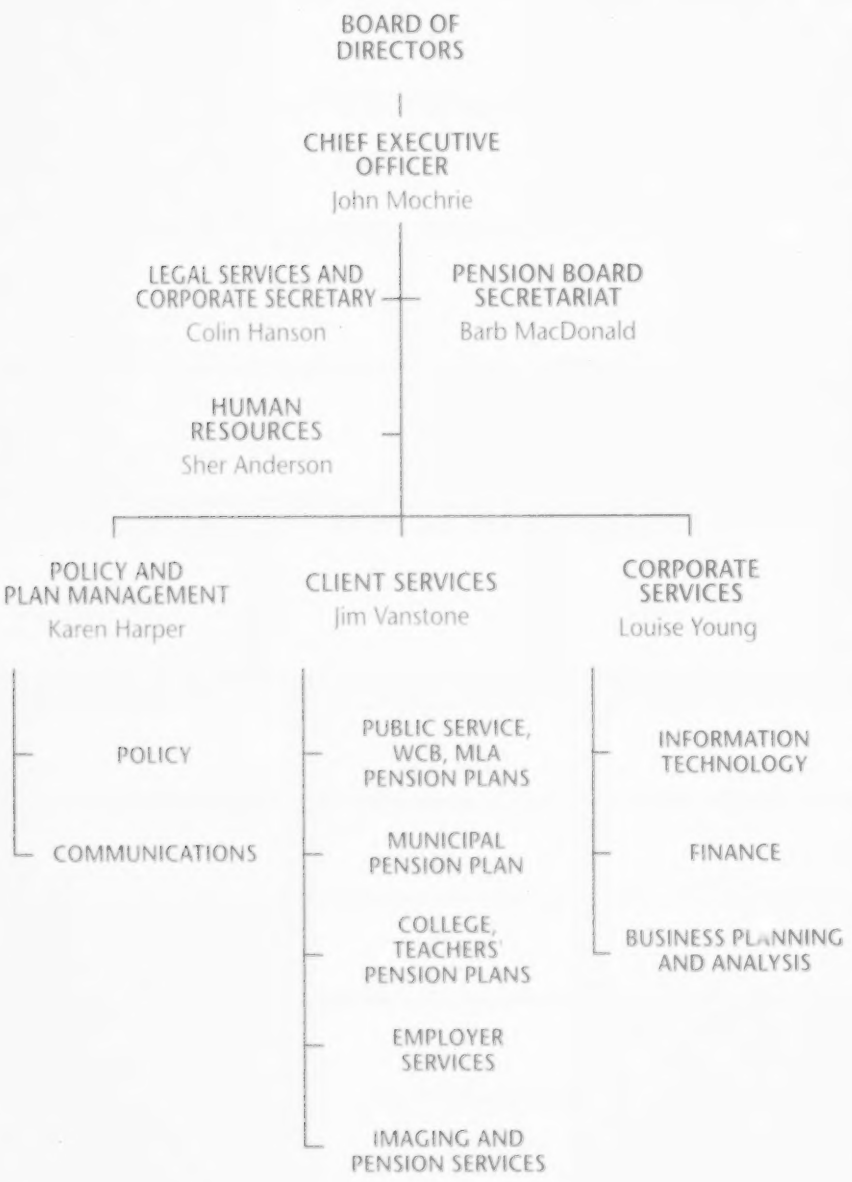
John Mochrie
Chief Executive Officer

Karen Harper
Vice President, Policy and Plan Management

Jim Vanstone
Vice President, Client Services

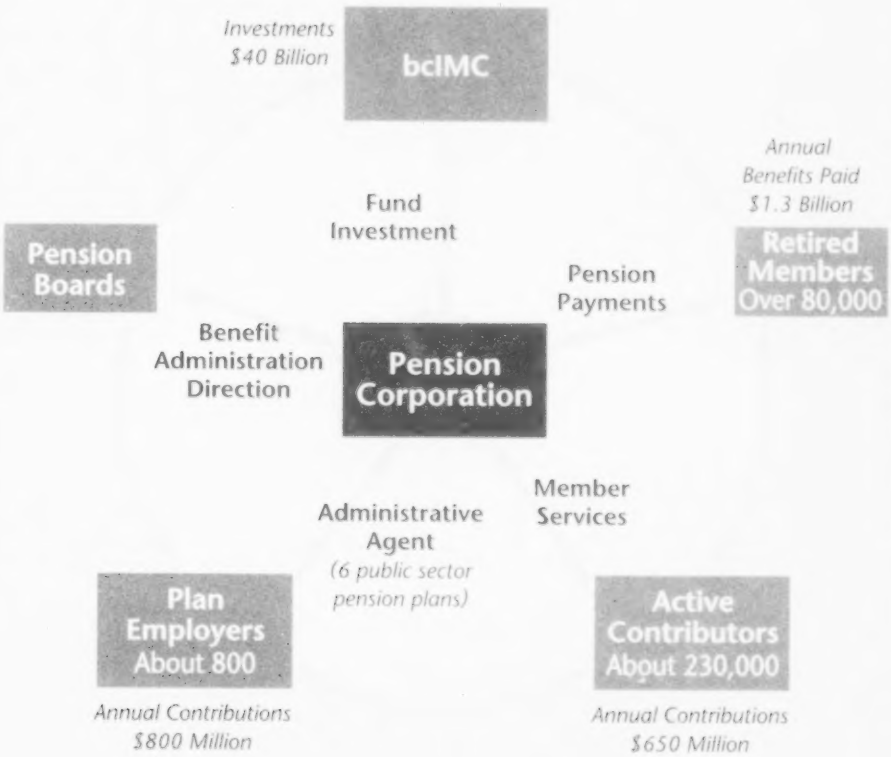
Louise Young
Vice President, Corporate Services

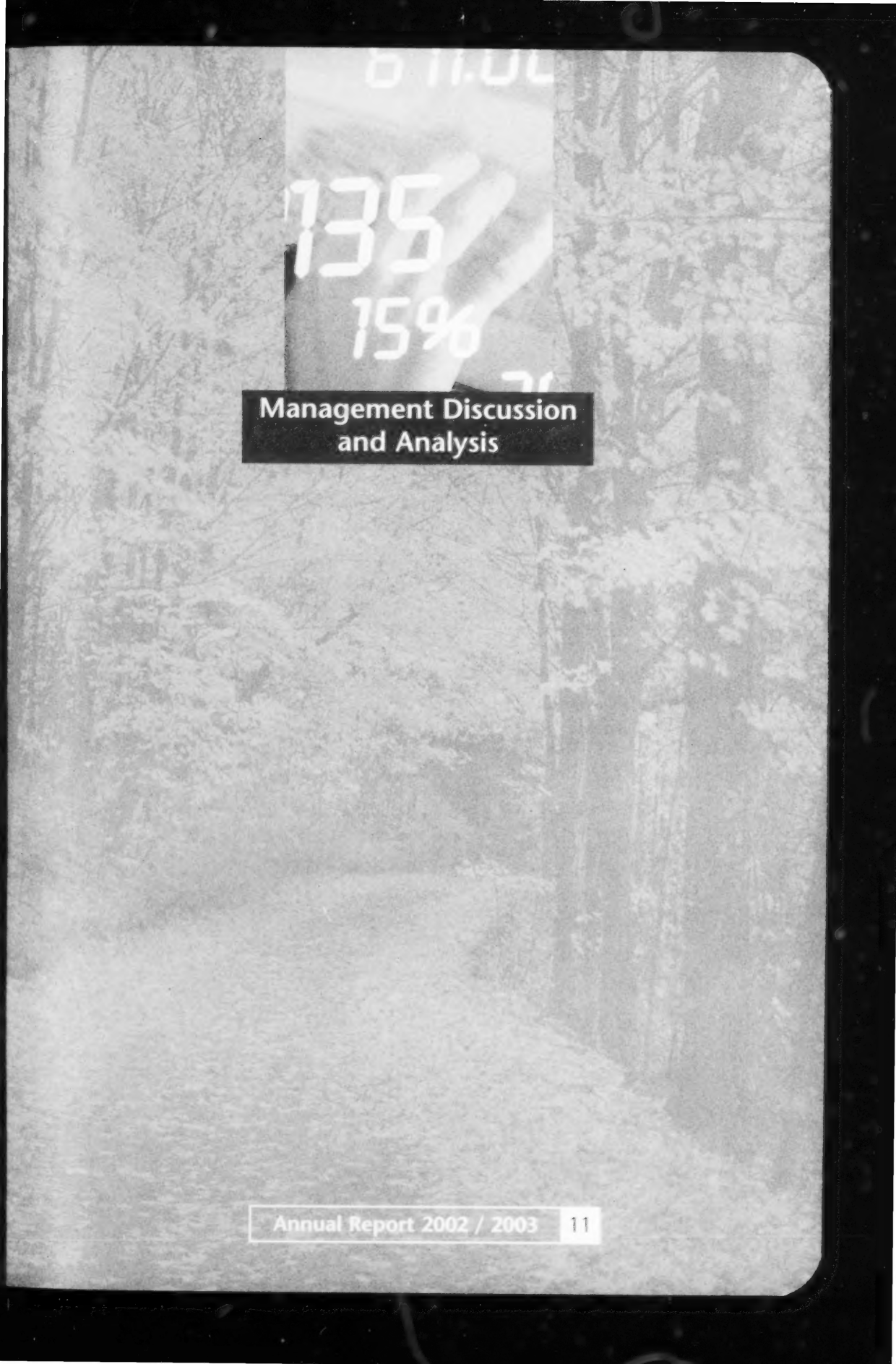
Pension Corporation Organizational Structure



Business Profile *for 2002/03*

THE PENSION CORPORATION interacts with a number of different groups. The diagram below shows how the Pension Corporation interacts with those groups and in what capacity.





Management Discussion and Analysis

Accomplishments and Objectives

In the pivotal year of its foundation-building the corporation concentrated on its initiatives in meeting its strategic objective of being one of the best pension administrators in Canada. During the year, the corporation:

eliminated the service backlog for terminations and purchases of services for members representing 14,900 transactions,

increased production of key transactions by 61%,

improved the timeliness of service to our membership by setting more aggressive service delivery targets,

continued to gather information from plan members, stakeholders, peers and employees through surveys and focus groups to validate member needs and pursue best practices,

fully implemented simplified rules and processes for member purchases of past service,

enhanced web-based information and services to members and employers to support the self-service options available to these groups,

supported the timeliness and quality of service to members and continued to improve the quality and streamline the management of key member data by expanding employer training, increasing the number of employers reporting electronically, and reducing the frequency of employer reporting,

reduced member data collection effort by 32% through data management efficiencies,

successfully piloted automation of annual reporting of the pension adjustment to employers and members, and

completed the second of a three-year concentrated training program for staff to support quality service to members.

Looking Forward

The foundation period ends with the fiscal year 2003/2004. Within this period the corporation will:

- further enhance service to members in terms of product and service delivery timeliness, quality, accessibility and clarity,
- work with employers to enhance online capability of services available to their member employees,
- enhance employer and member association training to provide them with the knowledge to assist their members,
- introduce a redesigned website to serve each plan, designed with more user-friendly information, improved navigation and enhanced self-service products and services,
- establish the business and technical implementation requirements for a new enhanced model of delivering service to members,
- simplify the retirement process and communications material to best serve the members,
- produce redesigned annual Member's Benefit Statements for all actively contributing members, enhancing clarity and additional benefit information for all members, and
- continue to improve the quality and streamline the management of key member data with the objective of enhancing timeliness of service delivery to members.

Performance Measures and Targets

THE CORPORATION HAS DEVELOPED a series of indicators to measure the level of service to plan members. These indicators measure:

the overall quality of service,

the timeliness of the corporation's response to key service requests, and

productivity.

Quality of Service

The corporation conducted its second survey of recently retired plan members to determine how satisfied they are with the retirement services provided to them. Last year, a blended satisfaction rating of 4.12* was based on three areas: service, access and communication. In 2002/2003 we achieved a blended rating of 4.21 for the same three areas. As well, a new overall satisfaction question was added, with a result of 4.01, with over 80% surveyed satisfied or very satisfied. The overall satisfaction question and baseline result of 4.01 will be used to measure future results.

We also surveyed plan employers and active members for the first time to measure their perceptions of service, and achieved a 4.3 satisfaction rating with employers and a 3.92 satisfaction rating with active members.

Timeliness

The corporation measured the timeliness of key service responses. The transactions used to measure timeliness were:

the response to an application from a member for his or her final available pension options,

first pension payment on time,

monthly pension payments on time, and

the response to a member upon notice of termination.

For our critical retirement services:

first pension payments were on time 97% of the time, and

final pension options were provided within the performance standard 81% of the time, above the target of 75%.

* using a scale of 1 to 5 *(1 = very dissatisfied; 2 = dissatisfied; 3 = neutral; 4 = satisfied; 5 = very satisfied)*.

Cost-effectiveness

The corporation's productivity and cost-effectiveness was measured in the number of service requests completed per staff and the total cost per plan member, and cost per transaction as benchmarked against a group of major Canadian public sector pension plan administrators.

The corporation achieved a higher than average number of key service requests completed per corporate staff. The number of key service requests completed increased over 60%, as the corporation not only eliminated its backlog but kept up with its current service requests. Factors that enabled these results include the successful training program for employees, simplification of the purchase of service process, and the concentrated effort to eliminate service request backlogs.

For 2002/2003 the cost per member was about the average of the benchmark group, while cost per key transaction was the lowest among the group.

Performance Measures and Targets *continued*

Performance Measurements

QUALITY

	RESULT
Surveys were conducted with recently retired plan members, active members, employers, and corporation staff, using a scale of 1 to 5 *(1 = very dissatisfied; 2 = dissatisfied; 3 = neutral; 4 = satisfied; 5 = very satisfied).*	
Recently retired plan members	4.01
Active plan members	3.92
Plan employers	4.30
Staff	3.63

TIMELINESS

	RESULT	2002/2003 TARGET
The corporation monitored the percentage of final pension options provided within 30 calendar days of receiving a member's request, or 120 days of the retirement date, whichever was later.	81%	75%
The corporation measured the percentage of first pension payments paid on time.	97%	98%
The corporation assessed the percentage of monthly pensions paid on time.	100%	100%
The corporation monitored the percentage of termination information letters provided to members within 30 days of receiving a notice of termination.	93%	90%
The corporation monitored the percentage of termination benefit options provided to members within 30 days of receiving an application.	60%	90%

COST-EFFECTIVENESS

	RESULT	BENCHMARK AVERAGE
The corporation compared the number of key service requests completed per corporation staff against the average of a benchmark group composed of other Canadian pension organizations.	184	164
The corporation compared the total cost per key service request completed against the average of the benchmark group.	$497 the lowest in the group	$806
The corporation compared the budgeted administrative cost per member against the average of the benchmark group.	$104 below 50% of the group	$103

Benchmarking information is based on 2002 information updated April 2003. Benchmarking based on key transactions has not yet been fully normalized within the group and may be subject to adjustment; the average key service requests per corporation staff was derived by the corporation based on available information.

Business Activity

THE CORPORATION'S PRIMARY BUSINESS DRIVERS are a growing demand for services and the increasing complexity of pension administration.

The number of plan members approaching their retirement years is growing. Currently, 36% of active plan members are age 50 or over. As a result, the corporation will continue to experience an increased demand for services.

At the same time, the management of the pension plans by jointly-trusteed pension boards has meant an increased demand for accountability on the corporation as the trustees' administrative agent.

In the future, the corporation anticipates service demand volumes will continue to rise as a result of a number of key factors, including:

the aging population,

more complex pension service issues and more knowledgeable plan members,

a rising percentage of members who are addressing retirement planning at an earlier age,

various public sector downsizing, restructuring and early retirement initiatives, and

the effect of new and earlier benefit opportunities made available to members.

Specific Demand Trends

Actual incoming demand exceeded estimated demand, with requests for key services rising to more than 53,000 in 2002/2003. This represents a 17% increase over the previous year. Purchase of service requests were 10% higher than expected and pension options 6% higher.

The number of new purchase requests was 10% higher than expected, yet there was a 133% increase in the number of purchase quotes provided to members. This reflects the concentrated effort to clear the backlog of purchase requests.

There was a substantial increase in the business activity for interplan and reciprocal transfers. Since the last fiscal year there was a 98% increase in the number of new requests, while the number of completed transfers increased by 172% during the same period.

Clearing the purchases backlog and the increase in reciprocal transfers resulted in the finalization of nearly 15,000 purchase payments and nearly 3,000 reciprocal transfer payments. For purchases, this represents close to half the number of purchase quotes provided.

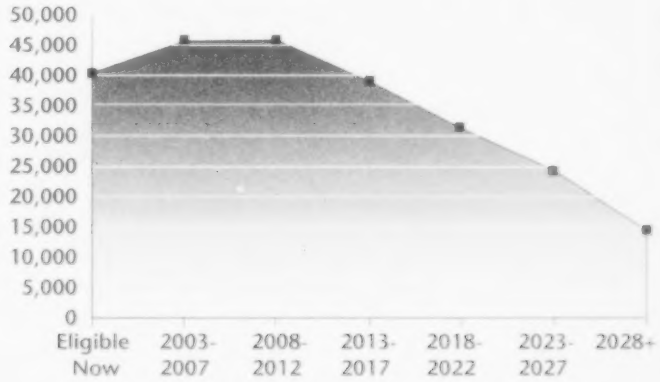
The number of new pensions requested was 17% lower than anticipated; however, there were 46% more pensions finalized in 2002/2003 than in the previous year. This is due in part to the large number of Public Service Pension Plan early retirement pensions already on hand at the start of the fiscal year.

Retired member participation in group benefit plans continues at between 65–90% depending on the plan, resulting in significant amounts of time being spent on benefit administration.

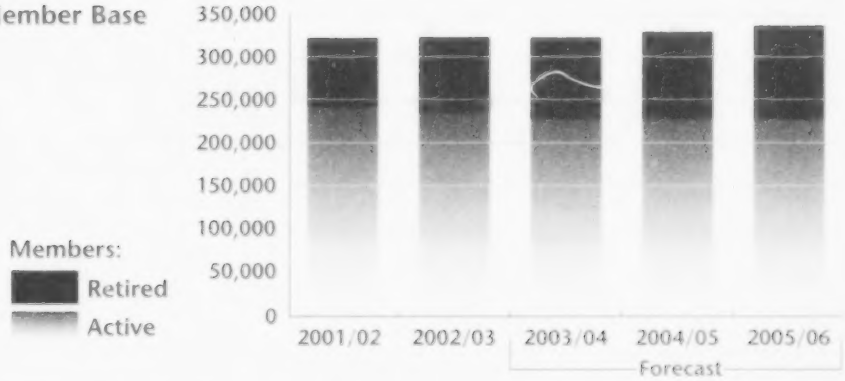
The number of termination notices received was about 19% less than anticipated, mainly because the downsizing anticipated in the health sector did not happen to the degree forecast.

Number of Active Members Eligible to Retire

(based on age of first eligibility, in five-year ranges)

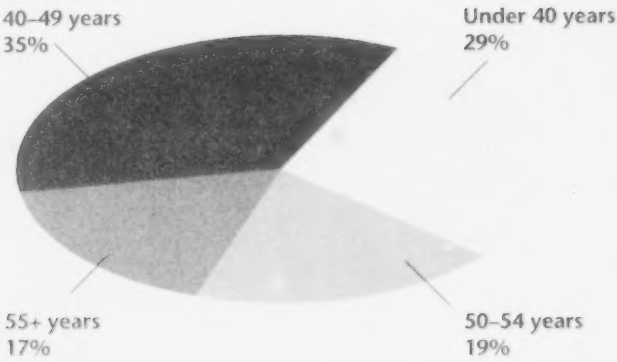


Member Base

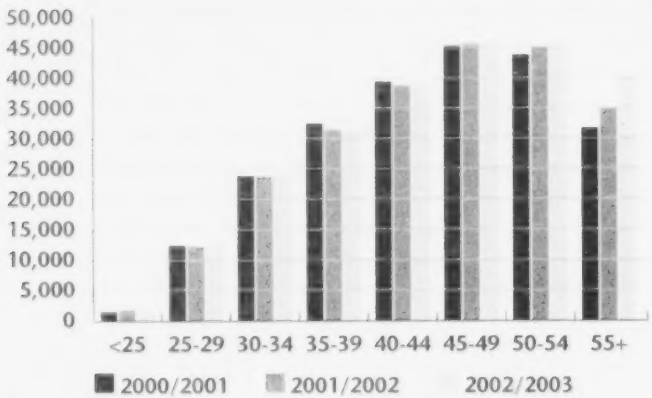


Business Activity *continued*

Age Profile of Active Members
as at March 31, 2003

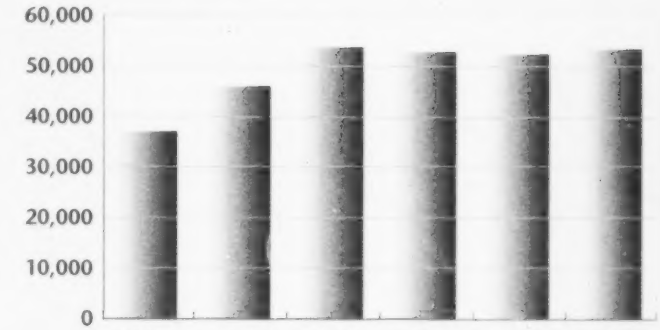


Increasing Age Profile of Active Members 2000 to 2003



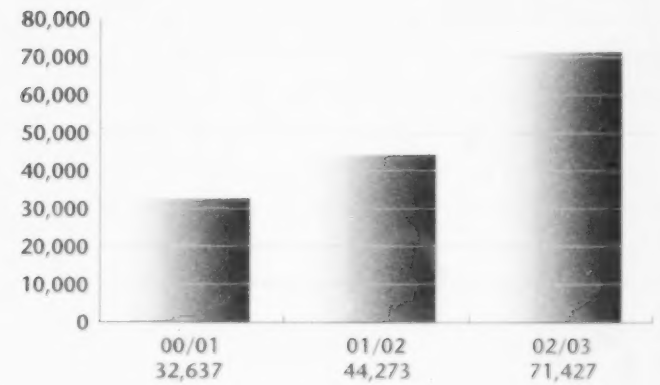
Key Service Requests and Future Demand Profile

Key service requests: pension options, new pensions, terminations, interplan and reciprocal transfers, and purchase of service estimates of all kinds.



	00/01	01/02	02/03	03/04	04/05	05/06
Total Key Service Requests	37,143	46,058	53,814	52,900	52,500	53,500

Completed Key Service Requests

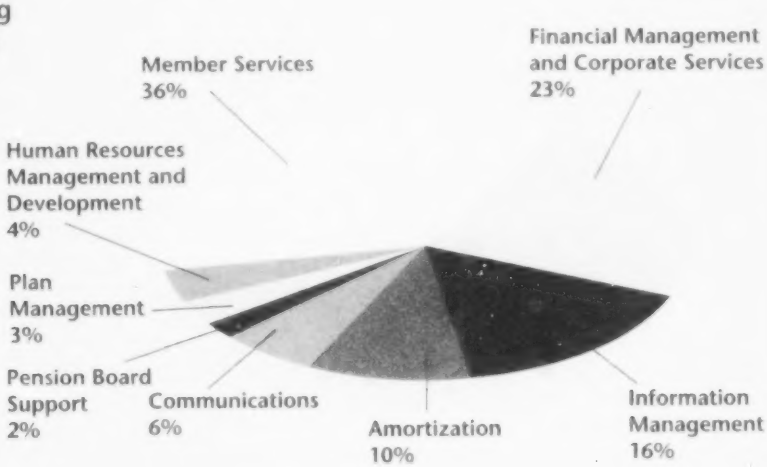


Finances

THE CORPORATION SPENT $34.5 MILLION for operating expenses in 2002/03, with offsetting revenue of the same amount. Approximately one-third ($12.5 million) of operating costs was for direct services to members and employers. Total operating expenses were approximately 4% under budget, based on savings in support areas.

The corporation operates on a cost recovery basis, with full recovery of costs from the pension plan trust funds that it serves. As part of the corporation's service delivery planning and budget development process, each pension board of trustees approves its share of relevant costs. The pension funds pay for operating costs, in addition to funding the corporation's capital asset expenditures.

Operating Expenses



Corporate Financial Statements

PENSION
CORPORATION

Executive
Offices

Mailing Address:
PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location:
2935 Jutland Road
Victoria BC
V8T 5J9

Phone:
250-387-8201
1-800-663-8823
Fax:
250-953-0429

BRITISH COLUMBIA PENSION CORPORATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The audited financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (the corporation) and are approved by the Board of Directors.

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Board of Directors, primarily through its Audit Committee, is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the Board for approval. The committee meets with management and external auditors to discuss internal controls, auditing and financial reporting issues.

The firm of KPMG LLP has been appointed the independent auditor of the corporation by the Board of Directors. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to the audited financial statements.

P. LOUISE YOUNG, CA,
Vice-President, Corporate Services,
British Columbia Pension Corporation

SANDRA LENZ, CA,
Director, Finance,
British Columbia Pension Corporation

May 22, 2003

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Pension Management Board
of the British Columbia Pension Corporation

We have audited the balance sheet of the British Columbia Pension Corporation as at March 31, 2003 and the statements of revenue and expenses and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

May 22, 2003

KPMG is a Canadian owned limited liability partnership established under the laws of Ontario, and the Canadian member firm of KPMG International, a Swiss cooperative association.

Corporate Financial Statements

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
($ Thousands)

March 31	2003	2002
Assets		
Current:		
Cash and Short-term Investments (Note 3)	$ 541	$ 4,200
Due from Pension Plans (Note 4)	7,337	2,854
Accounts Receivable	123	35
	8,001	7,089
Prepaid Expense	345	351
Computer Systems and Other Assets (Note 5)	19,557	19,232
Total Assets	$ 27,903	$ 26,672
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable (Note 6)	$ 7,234	$ 6,428
Accrued Leave Liability	1,112	1,012
Deferred Service Revenue (Note 7)	3,792	3,150
	12,138	10,590
Long term:		
Deferred Service Revenue (Note 7)	15,765	16,082
Shareholder's Equity		
Share Capital (Note 1)	-	-
Total Liabilities and Shareholder's Equity	$ 27,903	$ 26,672

The twelve accompanying notes are an integral part of these financial statements.

Commitments (Note 10)

John Wilson
British Columbia Pension Corporation
Pension Management Board

Bruce Clow
British Columbia Pension Corporation
Pension Management Board

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUE AND EXPENSES
($ Thousands)

For the year ended March 31	2003	2002
Revenue		
Service Revenue	$ 34,198	$ 30,541
Investment Income	66	139
Miscellaneous Revenue	54	-
Total Revenue	34,318	30,680
Expenses (Note 8)		
Member Services	$ 12,457	$ 10,423
Communications	2,017	1,846
Plan Management	1,096	909
Human Resource Management & Development	1,420	852
Information Management	5,541	6,523
Financial Management & Corporate Services	7,766	6,172
Amortization	3,518	3,649
Pension Plans Boards' Secretariat Support	503	306
Total Expenses	34,318	30,680
	$ -	$ -

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOW
($ Thousands)

For the year ended March 31	2003	2002
Cash Flow from Operating Activities		
Advance funding received from the pension plans	$ 26,197	$ 24,346
Cash paid to suppliers and employees	(29,976)	(25,077)
Investment income received	66	138
Miscellaneous cash received	54	22
Total Operating Activities	(3,659)	(571)
Cash Flow from Investing Activities		
Purchase of computer systems and other assets	(3,843)	(2,772)
Cash Flow from Financing Activities		
Computer systems and other assets advance funding	3,843	2,772
Increase (Decrease) for the Year	(3,659)	(571)
Cash and Short-Term Investments at Beginning of Year	4,200	4,771
Cash and Short-Term Investments at End of Year	$ 541	$ 4,200

1. DESCRIPTION OF THE BRITISH COLUMBIA PENSION CORPORATION

The British Columbia Pension Corporation (the corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999, c.44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors for the corporation. The corporation is the benefit administrative agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of at least eight (8) directors, two (2) directors from each of the four boards of trustees above. The Chair of the Board is appointed by the directors.

Benefit administration services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees.

The capital of the corporation is one share with a par value of $10 owned by the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The corporation's financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting principles.

b) Computer Systems and Other Assets

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	3 to 10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

Major business application software under development is not amortized until completion and implementation.

Assets costing less than $1,000 are expensed in the year purchased.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recorded as operating expenditures are made and as assets are amortized. Deferred revenue which relates to funding advances for computer systems and other assets is recognized on the same basis as the related assets are amortized.

d) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. The resulting exchange gains and losses are included in the determination of income.

e) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Revenue and Expenses at the date of the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of Computer Systems and Other Assets.

3. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund.

Short-term investments consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are recorded at cost, which approximates market.

	2003	2002
	($ Thousands)	
Cash	$ 523	$ 379
Short-term Investments	18	3,821
	$ 541	$ 4,200

4. DUE FROM PENSION PLANS

The corporation charges each pension plan with its respective share of the corporation's operating expenses and computer systems and other asset purchases less miscellaneous revenue, investment income and amortization.

	2003	2002
	($ Thousands)	
Municipal Pension Plan	$ 16,871	$ 14,395
Public Service Pension Plan	8,921	7,662
Teachers' Pension Plan	7,082	6,085
College Pension Plan	1,378	1,108
Other Plans	271	414
Total Charges to Pension Plans	$ 34,523	$ 29,664
Beginning Balance, Due from Pension Plans	2,854	308
Operating Advance Funding	(26,197)	(24,346)
Computer Systems Assets Advance Purchases	(3,843)	(2,772)
Ending Balance, Due from Pension Plans	$ 7,337	$ 2,854

5. COMPUTER SYSTEMS AND OTHER ASSETS

	Cost	Accumulated Amortization	Net Book Value	
		($ Thousands)		
		2003		2002
Major Business Application Software	$20,660	$(6,243)	$14,417	$15,612
Other Computer Equipment and Software	6,746	(3,596)	3,150	1,907
Furniture	1,937	(594)	1,343	1,228
Tenant Improvements	760	(113)	647	484
	$30,103	$(10,546)	$19,557	$19,232

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2003

6. RELATED PARTY TRANSACTIONS

As a crown corporation, the corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations. Included in the accounts payable balance is $5.0 million (2002: $4.5 million) due to the Province of British Columbia.

7. DEFERRED SERVICE REVENUE

	2003	2002
	($ Thousands)	
Opening Balance	$19,232	$20,109
Funding For Computer Systems and Other Assets	3,843	2,772
Amortization	(3,518)	(3,649)
Ending Balance, Deferred Service Revenue	$19,557	$19,232
Current Portion	3,792	3,150
Long Term Portion	15,765	16,082
Ending Balance, Deferred Service Revenue	$19,557	$19,232

8. EXPENSES

Expenses by service area are presented in the Statement of Revenue and Expenses and are defined as follows:

Member Services includes direct member pre-retirement benefit services, retired member benefit services, employer services, imaging and reception services.

Communications includes development and production of communications products, as well as pre-retirement information seminars.

Plan Management includes plan policy support.

Human Resource Management and Development includes general human resource management functions, training and development, including devoted business training staff.

Information Management includes strategic technology project management, ongoing information system support and devoted user testing.

Financial Management and Corporate Services includes financial management, business planning and analysis, facilities, rent and other support services (including executive).

Pension Plans Boards' Secretariat support includes the secretariat salaries and associated facilities costs.

8. EXPENSES *continued*

Expenses by type are as follows:

	2003	2002
	($ Thousands)	
Salaries & Benefits	$21,345	$18,217
Systems Support & Telephones	3,665	3,994
Amortization	3,518	3,649
Building Rent & Maintenance	1,931	1,749
Office Expenses	1,374	1,110
Legal, Actuarial & Other Professional Services	1,099	789
Publications	345	450
Training	273	122
Insurance	252	212
Bank Charges	181	118
Travel	159	113
Regulatory Fees	100	109
Corporate Board Remuneration & Expenses	76	48
	$34,318	$30,680

9. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the *Public Sector Pension Plans Act, S.B.C. 1999, c.44*, the corporation and its employees contribute to the Public Service Pension Plan (the plan), a jointly trusteed pension plan. The plan is a multi-employer contributory defined benefit pension plan. As at March 31, 2003, the corporation has approximately 390 employees contributing to the plan which has approximately 55,000 active plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2003, employees contributed 5.5% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Salary (YMPE) and 7% for salaries above that. The corporation contributed 6.5% of salary up to the YMPE and 8% for salaries above that. Employee and corporation contributions include 1.25% and 2.25% of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation (March 31, 2002) has determined the plan is in a surplus position. The surplus is not attributable to individual employers or members.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2003

9. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS *continued*

Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

10. COMMITMENTS

The corporation entered into a service agreement April 1, 2000 with the British Columbia Buildings Corporation to provide existing and future accommodation needs, with the term of the agreement extending to March 31, 2010. The estimated cost for building rental and accommodation services for the years ending March 31, 2004–2008 is $2.2 million per year.

11. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable. It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

12. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current presentation.

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